

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2177-01  
Bill No.: HB 717  
Subject: Health Care Professionals; Insurance - Medical; Insurance Dept.; Physicians  
Type: Original  
Date: April 21, 2003

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$44,006)	(\$49,419)	(\$50,655)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$44,006)</b>	<b>(\$49,419)</b>	<b>(\$50,655)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Missouri Senate, Office of the Governor, Department of Revenue and Department of Economic Development - Division of Professional Registration** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Insurance (INS)** state the department would be required to review policy forms and conduct examinations of the company as with any insurance carrier doing business in the state. The INS assumes existing staff could handle the additional workload from this single proposal.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP. However, the proposal requires a \$10 million loan from General Revenue.

Officials from the **Office of State Treasurer (STO)** state this proposal would require the STO to make loan payments, track interest charges and loan repayments. The STO would need a full time equivalent (FTE) at the Accounting Analyst II level with corresponding expense and equipment to fulfill the requirements of the proposal. The STO anticipates FY 04 costs to be \$49,636, FY 05 costs of \$56,342, and FY 06 costs of \$57,752.

ASSUMPTION (continued)

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Accounting Analyst II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Costs - Office of State Treasurer</u>			
Personal service costs (1 FTE)	(\$28,423)	(\$34,961)	(\$35,835)
Fringe benefits	(\$11,503)	(\$14,149)	(\$14,502)
Equipment and expense	<u>(\$4,080)</u>	<u>(\$309)</u>	<u>(\$318)</u>
Total <u>Costs</u> - Office of State Treasurer	(\$44,006)	(\$49,419)	(\$50,655)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$44,006)</u></b>	<b><u>(\$49,419)</u></b>	<b><u>(\$50,655)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2004 (10 Mo.)	 FY 2005	 FY 2006
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal could impact small business insurance companies that offer physicians liability insurance as well as small business physicians offices that may choose to obtain their liability insurance through the Missouri Physicians Mutual Insurance Company.

DESCRIPTION

This proposal establishes the Missouri Physicians Mutual Insurance Company, which will operate as a public corporation and provide medical malpractice insurance for its members. A

seven-member board of directors, appointed by the Governor, will oversee the company. The proposal sets forth the qualifications required for board members. Board members will be reimbursed for expenses, and each member may also receive a stipend of up to \$1,000 per meeting. The board will hire an administrator to manage the company. Employees of the company will be immune from personal liability for acts performed, or obligations entered into, when done in good faith.

The board will have control over the company's premium rates. Any insurance producer licensed in the state may sell policies for the company. The administrator will formulate and implement a program to reduce the amount of medical malpractice by providing training seminars to physicians and their staffs. The board may deny insurance to physicians who refuse to attend the training seminars. The company will bear the cost of the training.

The company may be capitalized by a loan of up to \$10,000,000 from the state's Physicians Mutual Insurance Company Loan Fund, which is created in the proposal. The board may also issue revenue bonds in an amount not to exceed a principal amount of \$50,000,000. The proposal sets forth a process for the sale of the bonds.

The board may declare cash dividends or allow credits to insureds when the company has sufficiently built up its assets in excess of its liabilities, necessary reserves, and a reasonable surplus for catastrophe hazard.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

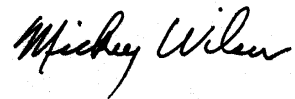
#### SOURCES OF INFORMATION

Office of Administration -  
Division of Budget and Planning  
Office of the Governor  
Department of Economic Development -

HW-C:LR:OD (12/02)

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Division of Professional Registration  
Department of Revenue  
Department of Insurance  
Missouri Senate  
Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA  
DIRECTOR  
APRIL 21, 2003